

TEACHERS' RETIREMENT BOARD

REGULAR MEETING

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SUBJECT: Approval of Minutes June 6, 2002

ITEM NUMBER: 2

ATTACHMENT(S): 1

ACTION: X

DATE OF MEETING: July 11, 2002

INFORMATION: \_\_\_\_\_

PRESENTER(S): Chairperson

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Please see the attached minutes of the June 6, 2002, meeting of the Teachers' Retirement Board.

PROPOSED  
MINUTES OF THE  
TEACHERS' RETIREMENT BOARD  
OPEN SESSION  
THURSDAY, JUNE 6, 2002  
CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM  
BOARD ROOM  
7667 FOLSOM BOULEVARD  
SACRAMENTO, CALIFORNIA 95826

**BOARD MEMBERS PRESENT**

Gary Lynes, Chairperson  
George Fenimore  
Paul Krasnow  
Karen Russell  
Jay Schenirer  
Carolyn Widener  
Annette Porini, representing the Director of Finance, B. Timothy Gage  
Louis Willhoit, representing the State Controller, Kathleen Connell  
Richard Whitmore, representing the Superintendent of Public Instruction, Delaine Eastin  
Ted Eliopoulos, representing the State Treasurer, Philip Angelides

**STAFF PRESENT**

Jack Ehnes, Chief Executive Officer  
Christopher Ailman, Chief Investment Officer  
Christopher Waddell, Chief Counsel  
Peggy Plett, DCEO, Administration  
Michael Carter, DCEO, Client Benefits and Services  
Laurence Martin, DCEO, Information and Financial Systems  
Ed Derman, DCEO, External Affairs and Program Development  
Bill Hobbs, Acting Director, Project Management Office  
Ted Hynson, Chief, Administrative Services  
Peter Haley, Chief, Membership Division  
Diana Samuels, Analyst, Membership Division  
Mary Miles, Administrative Assistant

**OTHERS PRESENT**

Douglas Lindsay, FACCC	Bob Sands, Department of Finance
Norman Gould, CRTA	Zoe Ann Murray, CRTA
Eva Hain, CRTA	Susan Goff, CTRA
Loretta Toggenburger, UTLA-R	Tony Jones, CTA
Dorothy Moser, CTA/NEA-R	Al Reyes, UTLA

A quorum being present, Chairperson Lynes called the meeting to order at 10:50 a.m.

II. **APPROVAL OF MINUTES OF MAY 2, 2002**

MOTION duly made by Mr. Fenimore, seconded by Ms. Russell, and carried to approve the minutes of the May 2, 2002.

III. **ANNOUNCEMENTS**

The Chair had no announcements.

IV. **COMMITTEE REPORTS**

HEALTH BENEFITS COMMITTEE: Ms. Widener, reporting for Mr. Willhoit, stated the Committee received a report on Health Benefits Security Accounts and an Update on the California Teachers Cohort and California Breast Cancer Study.

BY CONSENSUS, the report of the Health Benefits Committee was accepted.

INVESTMENT COMMITTEE: Mr. Lynes, Chairperson of the Investment Committee, reported the Committee conducted the finalist interview for the Alternative Investments Board Consultant and approved the resolution to hire McKinsey and Company. The Committee received a report on the Fixed Income for the US Benchmark and adopted the Lehman Brothers Aggregate Minus Tobacco as its benchmark. The Committee adopted support positions on AB 2970 and SB 1527, looked at matching liabilities with assumptions with the System's Consulting Actuary, Mr. Johnson and Investment Consultant, Mr. Emkin. The Committee received Activity Status Reports on Credit Enhancements, Real Estate, Alternative Investments, and the Report of the Chief Investment Officer.

BY CONSENSUS, the report of the Investment Committee was accepted.

EXECUTIVE COMPENSATION COMMITTEE: Mr. Fenimore, Chairperson of the Executive Compensation Committee, reported the Committee received an update on compensation for the exempt positions.

BY CONSENSUS, the report of the Executive Compensation Committee was accepted.

BENEFITS AND SERVICES COMMITTEE: Ms. Russell, Chairperson of the Benefits and Services Committee, reported the Committee approved the staff recommendation to deny a change of retirement effective date for Mr. Dennis James Convery, adopted the Lump-sum Death Benefits Rates for 2002-03, heard reports on Partial Lump Sum Payments, Warrant Stub Message, Level of Service Standards, and Service Purchase Workload.

BY CONSENSUS, the report of the Benefits and Services Committee was accepted.

V. **CHIEF EXECUTIVE OFFICER REPORT**

Mr. Ehnes reported a draft agenda would be provided at the next meeting for the upcoming strategic workshop in September.

Mr. Ehnes informed the Board he was looking into short and long range space planning issues facing the organization. The short range (one to five years) is to remain in this building but look at utilizing space in nearby buildings. Long range plan is to look at growth projections and where we will be and what we will need as an organization.

Mr. Ehnes reported a bottoms-up approach has been taken in developing the budget for 2003/04, and he is looking to come back next month with some specific ideas for customer service improvements that may be fast tracked through the legislative process. These improvements include staff to reduce the three-minute timeframe to a two-minute timeframe or less, telephone counseling, and workload relief in several areas. Mr. Ehnes stated that research is being done on initiating a CRM system to deliver measurable customer service.

VI. **UPDATE ON LEGISLATION**

STATE: Mr. Derman presented the following measures for the Board's consideration:

AB 979 (Cedillo): Paid Contribution for Military Leave. Staff recommended the Board adopt a support position.

MOTION duly made by Mr. Whitmore, seconded by Mr. Fenimore, and carried, to adopt a support position on Assembly Bill 979. Ms. Porini abstained.

AB 2767 (Pavley): Study on the Government Pension Offset and the Windfall Elimination Provisions. Staff recommended the Board adopt a support position. Discussion ensued on whether the Department of Education or another agency should conduct the study and asked staff to see if the author would consider request to assign the study to another agency.

MOTION duly made by Mr. Whitmore, seconded by Mr. Fenimore, and carried, to adopt a support position on Assembly Bill 2767. Ms. Porini and Mr. Whitmore abstained.

SB 1983 (Soto): Use of Unused Sick Leave and Projected Service for Enhanced Benefits; Authorize CalSTRS Investments in Employer Property. Staff recommended the Board sponsor the provisions.

MOTION duly made by Ms. Widener, seconded by Ms. Russell, and carried, to sponsor Senate Bill 1983. Ms. Porini abstained.

Mr. Derman reported that AB 2646 which originally proposed eliminating the 25 year eligibility requirement for one-year final compensation then subsequently changed to propose CalSTRS pay Medicare Part B premiums has been placed on the inactive file.

FEDERAL: Mr. Derman had nothing to add.

VII. **APPROVAL OF CONTRACTS EXCEEDING \$500,000**

Mr. Hynson requested approval of contracts for Fiscal Year 2002/03 for Data Processing Services from the Teale Data Center and Warrant Processing from the State Controller's Office. Mr. Eliopoulos asked that there be a separate motion for each contract.

MOTION duly made by Ms. Russell, seconded by Mr. Fenimore, and carried to approve the contract for Teale Data Center. Mr. Eliopoulos and Mr. Willhoit voted no.

MOTION duly made by Ms. Russell, seconded by Mr. Fenimore, and carried to approve the contract for the State Controller's Office. Mr. Willhoit abstained.

VIII. **TRAVEL**

Ms. Russell requested to attend the NCTR Annual Convention in October.

MOTION duly made by Ms. Russell, seconded by Mr. Schenirer and carried, to approve the Board travel request as presented. Ms. Porini, Mr. Willhoit and Mr. Eliopoulos abstained.

MOTION duly made by Mr. Schenirer, seconded by Mr. Fenimore, and carried to approve the staff travel requests. Mr. Willhoit abstained.

MOTION duly made by Mr. Fenimore, seconded by Mr. Schenirer, and carried to approve the travel summary as presented.

IX. **STATUS OF AB 2700 IMPLEMENTATION**

Ms. Samuels and Mr. Haley presented an update on the progress of the implementation of the creditable compensation changes contained in Assembly Bill 2700.

Mr. Fenimore and Mr. Krasnow left at 12 noon.

X. **DRAFT AGENDA FOR THE JULY REGULAR MEETING**

There were no changes to the draft agenda.

XI. **OPPORTUNITY FOR STATEMENTS FROM THE PUBLIC**

There were no statements from the public.

XII. **MOVED TO CLOSED SESSION**

Chairperson Lynes moved into closed session at 12:08 p.m.

XIII. **ADJOURNMENT**

There being no further business to conduct, the meeting was adjourned at 12:16 p.m.

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Jack Ehnes, Chief Executive Officer  
And Secretary to the Teachers' Retirement Board

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Gary Lynes, Chairperson